

**Ministry of  
the Environment**

Office of the Minister

77 Wellesley Street West  
11<sup>th</sup> Floor, Ferguson Block  
Toronto ON M7A 2T5  
Tel.: 416 314-6790  
Fax: 416 314-6748

**Ministère de  
l'Environnement**

Bureau du ministre

77, rue Wellesley Ouest  
11<sup>e</sup> étage, édifice Ferguson  
Toronto ON M7A 2T5  
Tél. : 416 314-6790  
Télééc. : 416 314-6748



February 9, 2012

Chair of Waste Diversion Ontario  
c/o Michael Scott, Chief Executive Officer  
Waste Diversion Ontario  
4711 Yonge Street, Suite 1102  
Toronto, ON M2N 6K8

Dear Chair:

Ontario's waste diversion programs play an important role in keeping waste out of our land and waterways. The government is committed to ensuring programs maximize diversion, are sustainable and are fair for everyone. But more needs to be done. The government wants to renew and refocus attention on our waste diversion goals. This letter outlines our plan to get back on track. One of the first steps is effective oversight which is essential to ensuring that these objectives are met and producers remain responsible for the recycling and safe disposal of the waste their products create.

To strengthen the oversight and accountability of waste diversion programs under the *Waste Diversion Act*, 2002 (the Act) I am writing pursuant to my authority under the Act on two matters: 1) Board governance; and 2) policies applicable to Waste Diversion Ontario under Section 7.

### **Board Governance**

I am writing to inform you that I have accepted in principle the proposal submitted by the Board on May 27, 2011 in respect of a new Waste Diversion Ontario (WDO) governance structure. The move to a skills-based board reflects modern governance practices and will assist in improving the oversight of programs established under the Waste Diversion Act.

My staff will be sending you shortly the proposed amendment to the operating agreement that would implement this new WDO governance structure. I expect ministry staff and WDO to finalize the agreement for my approval in the next few weeks. This will allow transition to a new board and its members being appointed at the Board's annual general meeting in April 2012. To meet these timelines, I would encourage WDO and its Board to begin the process to identify candidates for nomination to the new Board. I have similarly asked my staff to begin the process to identify potential appointments to the Board consistent with the proposed governance structure.

## **Policy Direction under Section 7**

I am also writing pursuant to my authority under section 7 of the Act, allowing for the establishment of policies applicable to Waste Diversion Ontario and its Board of Directors and in accordance with my authority under clause 5 (i) of the Act to require Waste Diversion Ontario WDO to advise and report to me.

I am writing to provide Waste Diversion Ontario with direction on a) the development and implementation of full cost recovery and accumulated deficit/surplus recovery of Industry Funding Organizations; b) improved oversight of the financial and program performance of Industry Funding Organizations and enhanced reporting to the Ministry to ensure the effectiveness of program delivery; c) the review and approval of Industry Stewardship Plans; and d) review of incentive programs.

### *Full Cost Recovery*

As you are aware, industry-funded programs need industry-funded solutions to recover the necessary costs to meet the programs' targets for waste diversion. To achieve this outcome, on February 9, 2012 a regulation was made under the Act that implements a new fee setting methodology enabling Stewardship Ontario to recover from stewards its full costs related to the operation of the Municipal Hazardous or Special Waste Program.

This new methodology should ensure that Stewardship Ontario fully recovers the costs incurred on the delivery of the program and avoids the creation of surpluses or deficits that could affect the sustainability of the program.

The new methodology also requires Stewardship Ontario to address accumulated deficits for waste categories in the program.

I am directing Waste Diversion Ontario, in accordance with section 7 of the Act, to review Stewardship Ontario's plan to implement the Regulation and recover its operating and deficit costs, and to work with Stewardship Ontario on a plan to address its accumulated surpluses, in a manner that ensures the financial sustainability of the program. I am also directing Waste Diversion Ontario to provide me with a report on the status of Stewardship Ontario's accumulated deficit/surplus recovery plan by March 23, 2012.

In addition, to address full cost recovery for other waste diversion programs and their financial sustainability (including deficits and surpluses), I am directing Waste Diversion Ontario, in accordance with section 7 of the Act, to work with Ontario Tire Stewardship and Ontario Electronic Stewardship to develop plans to implement a similar cost recovery and accumulated deficit/surplus recovery approach. I am also directing Waste Diversion Ontario that it shall provide me the plans by March 23, 2012 for Ontario Tire Stewardship and by April 30, 2012 for Ontario Electronic Stewardship.

### *Effective Program Delivery*

To support implementation of the new cost recovery model, in accordance with section 7 of the Act, I am directing Waste Diversion Ontario to undertake a detailed review and analysis of all proposed Industry Funding Organizations budgets and to regularly monitor actual expenditures to ensure that there are realistic and cost effective plans to achieve Industry Funding Organizations performance targets, proper management of operating costs to ensure the financial sustainability of the organizations and to amend program agreements as necessary to achieve this. Waste Diversion Ontario will report to the Ministry on budgetary performance of all Industry Funding Organizations quarterly.

In accordance with section 7 of the Act, I am also directing that Waste Diversion Ontario implement an effective monitoring and audit program to review Industry Funding Organizations' annual program performance and the achievement of plan targets, to promptly take corrective action when required and to report quarterly to the Ministry. Waste Diversion Ontario shall amend program agreements as necessary to achieve this.

### *Industry Stewardship Plans*

In accordance with section 7 of the Act, I am directing that Waste Diversion Ontario review its policy and procedures on Industry Stewardship Plans and consider the following matters when the Board reviews an application or approves an Industry Stewardship Plan:

- Whether the plan achieves waste diversion targets that are similar or better than the associated waste diversion program;
- The fair operation of the plan in the marketplace;
- Whether the plan ensures accessibility for consumers through its delivery of services.

As part of the monitoring of the plan's effectiveness, Waste Diversion Ontario will require regular monitoring, auditing and reporting of Industry Stewardship Plans, the costs of which shall be paid by the plan.

In addition, in accordance with section 7 of the Act, I am directing that Waste Diversion Ontario consult with the public on any Industry Stewardship Plan that it reviews prior to Waste Diversion Ontario's approval of the plan.

Finally, in accordance with clause 5 (i) of the Act, I am directing that Waste Diversion Ontario, following the aforementioned review, submit to the Ministry a report on the review, and its proposed policy and procedures on Industry Stewardship Plans. The review and this report shall be completed and submitted to the Ministry no later than June 1, 2012.

## *Review of Incentive Programs*

In accordance with section 7 of the Act, I am directing that Waste Diversion Ontario undertake separate reviews on the development and implementation of financial incentives that are paid to service providers by Stewardship Ontario under the MHSW program, Ontario Electronic Stewardship under the WEEE program, and Ontario Tire Stewardship under the Used Tires program.

I am also directing that these reviews be carried out in consultation with municipalities and other stakeholders.

As part of these reviews, I am directing that Waste Diversion Ontario address whether the development and implementation of these financial incentives affect Ontario's marketplace in a fair manner; whether these financial incentives are effective in supporting the achievement of waste diversion targets and program objectives; an assessment on the impact of the incentive programs on municipalities and waste diversion services, including accessibility across Ontario; and other alternatives that industry funding organizations might consider.

I am also directing that Waste Diversion Ontario shall provide me the findings and recommendations from these reviews by the following dates:


- Review of Stewardship Ontario incentives by March 23, 2012
- Review of Ontario Electronic Stewardship incentives by April 30, 2012
- Review of Ontario Tire Stewardship incentives by June 1, 2012.

If you have any questions, please feel free to contact Greg Sones, Director of Waste Management Policy Branch.

I am confident that these initiatives will provide effective and efficient oversight of waste diversion programs established under the Act, and enable these programs to meet their targets for waste diversion and protect Ontario's environment.

Thank you for your continued commitment to promoting waste diversion in Ontario.

Sincerely,



Jim Bradley  
Minister of the Environment